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United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

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March 28, 2023

Dr. Holger Klein
CEO
ZF Friedrichshafen AG
Löwentaler Straße 20
ZF Forum
88046 Friedrichshafen
Germany

Dear Dr. Klein:

I write concerning recent reports that automotive component suppliers may have links to the Xinjiang Uyghur Autonomous Region of the People's Republic of China (Xinjiang), where the Chinese Communist Party imposes widespread forced labor practices on minorities. Last year, the Senate Finance Committee launched an investigation into this issue.¹ The initial stages of this investigation have revealed that automakers rely heavily on their immediate suppliers to ensure that their supply chains do not include forced labor. The information I am requesting from ZF Friedrichshafen AG ("ZF") will aid the Committee's investigation of the effectiveness of trade-based efforts by the United States to combat forced labor and other serious human rights abuses in China.

The United States considers the Chinese government's brutal oppression of Uyghurs in Xinjiang an "ongoing genocide and crimes against humanity."² According to the U.S. Department of State, more than one million Uyghurs and other minorities are held in as many as 1,200 state-run internment camps in Xinjiang.³ Chinese authorities "use threats of physical violence, forcible drug intake, physical and sexual abuse, and torture to force detainees to work in adjacent or off-site factories or worksites."⁴ Pursuant to Section 307 of the Trade Act of 1930,⁵ goods produced through these appalling practices must not enter the U.S. market.

¹ *Senate Finance Committee Chair Wyden Questions Major Automakers About Supply Chain Links to Forced Labor in Xinjiang, China*, Dec. 22, 2022, <https://www.finance.senate.gov/chairmans-news/senate-finance-committee-chair-wyden-questions-major-automakers-about-supply-chain-links-to-forced-labor-in-xinjiang-china>.

² *Press Statement by U.S. Secretary of State Antony J. Blinken*, UN Office of the High Commissioner for Human Rights Report on the Human Rights Situation in Xinjiang, Sep. 1 2022, <https://geneva.usmission.gov/2022/09/01/statement-on-un-human-rights-office-report-on-xinjiang/>.

³ *Forced Labor in China's Xinjiang Region*, U.S. Department of State Office to Monitor and Combat Trafficking in Persons, July 2021, <https://www.state.gov/forced-labor-in-chinas-xinjiang-region/>.

In 2021, Congress passed – and President Biden signed into law – the Uyghur Forced Labor Prevention Act⁶ (UFLPA) to bolster the prohibition on goods made with forced labor by ensuring that goods made in Xinjiang do not enter the United States market unless demonstrated to be made without forced labor. The UFLPA imposes a rebuttable presumption that goods mined or manufactured, wholly or in part, in Xinjiang were produced with forced labor and are therefore prohibited from importation.⁷ This provision protects American companies and consumers from unwittingly perpetuating human rights abuses abroad.

A report late last year from the Helena Kennedy Centre for International Justice at Sheffield Hallam University detailed links between Chinese companies with operations in Xinjiang and automakers that use their products, including metals, batteries, wiring and wheels.⁸ I engaged with major automakers after reading this report. These companies rely heavily on their immediate suppliers – often called ‘tier 1’ suppliers – to ensure that forced labor is not used to make components that pass through many layers of complex automotive supply chains before reaching automakers. Many major automakers require tier 1 suppliers to adhere to ‘codes of conduct’ that require reporting about their sub-suppliers and prohibit sourcing materials from sub-suppliers that use forced labor.

Information I have learned from the initial stages of the Committee’s investigation raises serious questions about tier 1 suppliers’ ability to ensure that sub-suppliers do not rely on forced labor. Last month, I held a hearing on *Ending Trade that Cheats American Workers* to question supply chain and labor experts about the enforcement of laws designed to combat forced labor in the supply chains of brands and retailers selling goods in the United States.⁹ The Committee heard troubling testimony about Chinese companies faking labor rights compliance and about the unreliability of even on-the-ground audits of suppliers in China.¹⁰ These allegations emphasize the extraordinary due diligence necessary to ensure that supply chains are free of forced labor and compliant with the UFLPA and Section 307.¹¹

I recognize that tier 1 suppliers rely on complex supply chains to source thousands of parts from across the world. However, this complexity cannot cause the United States to compromise its fundamental commitment to upholding human rights and U.S. law. I request that ZF provide the

⁴ *Forced Labor in China’s Xinjiang Region*, U.S. Department of State Office to Monitor and Combat Trafficking in Persons, July 2021, <https://www.state.gov/forced-labor-in-chinas-xinjiang-region/>.

⁵ P.L. 71-361 (March 13, 1930), §307; 46 Stat. 590, 689, codified as amended at 19 U.S.C. §1307.

⁶ P.L. 117-78.

⁷ *Uyghur Forced Labor Prevention Act*, U.S. Customs and Border Protection, Oct. 25, 2022, <https://www.cbp.gov/trade/forced-labor/UFLPA>.

⁸ *Driving Force: Automotive Supply Chains and Forced Labor in the Uyghur Region*, Sheffield Hallam University Helena Kennedy Centre for International Justice, Dec. 2022, <https://www.shu.ac.uk/helena-kennedy-centre-international-justice/research-and-projects/all-projects/driving-force>.

⁹ *Ending Trade that Cheats American Workers By Modernizing Trade Laws and Enforcement, Fighting Forced Labor, Eliminating Counterfeits, and Leveling the Playing Field*, hearing before the Senate Finance Committee, 118 Congress (Feb. 16, 2023).

¹⁰ *Ending Trade that Cheats American Workers By Modernizing Trade Laws and Enforcement, Fighting Forced Labor, Eliminating Counterfeits, and Leveling the Playing Field*, hearing before the Senate Finance Committee, 118 Congress (Feb. 16, 2023) (testimony of Scott Nova).

¹¹ P.L. 71-361 (March 13, 1930), §307; 46 Stat. 590, 689, codified as amended at 19 U.S.C. §1307.

following information to aid the Committee’s investigation of the effectiveness of trade-based efforts by the U.S. to prevent human rights abuses abroad, as well as the steps taken by your company to comply with these requirements:

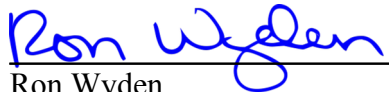
- 1) Does ZF conduct its own supply chain mapping and analysis of raw materials, mining, processing, and parts manufacturing to determine if its supply chain is linked to Xinjiang? If so, please:
 - a. describe the extent of supply chain mapping and analysis, and specifically indicate if these efforts include sub-suppliers, including mines, mineral processors, and any affiliated entities;
 - b. indicate if the supply chain mapping and analysis includes a list of the Chinese-language names of sub-suppliers and, if so, describe the extent of this list, and specifically indicate if it includes sub-suppliers, including mines, mineral processors, and any affiliated entities; and,
 - c. if the supply chain mapping and analysis includes a list of the Chinese-language names of sub-suppliers, describe any due diligence ZF conducts, including open-source research, using this list.
- 2) Does ZF conduct its own supply chain mapping and analysis of raw materials, mining, processing, and parts manufacturing to determine if its supply chain is linked to the Xinjiang Uyghur Autonomous Region government’s “poverty alleviation” program or the “pairing-assistance” program outside of Xinjiang? If so, please describe the extent of supply chain mapping and analysis, and specifically indicate if these efforts include sub-suppliers, including mines, mineral processors, and any affiliated entities. Please also indicate if this supply chain mapping and analysis includes the Chinese-language names of sub-suppliers.
- 3) Does ZF’s supply chain include any raw materials, mining, processing, or parts manufacturing linked to Xinjiang, including through sub-suppliers and their affiliates imported directly into the United States? If so, please:
 - a. describe how ZF ensures that the raw materials, mining, processing, or parts manufacturing linked to Xinjiang does not depend on the use of forced labor; and,
 - b. if ZF has a plan to exit the Xinjiang region, provide details of such plan.
- 4) Has ZF ever terminated or curtailed, or threatened to terminate or curtail, a commercial relationship with a sub-supplier, including mines, mineral processors, and any affiliated entities, because of its use of raw materials, mining, processing, or parts manufacturing linked to Xinjiang? If so, please describe, for every such incident, the actual or threatened termination or curtailment and the ultimate outcome, and whether the outcome was reported publicly.
- 5) Has ZF ever terminated or curtailed, or threatened to terminate or curtail, a commercial relationship with a sub-supplier, including mines, mineral processors, and any affiliated entities, because of its failure to comply with supply chain mapping, auditing, or other diligence or compliance activities? If so, please describe the actual or threatened

termination or curtailment and the ultimate outcome, and whether the outcome was reported publicly.

- 6) Has any shipment of any goods to ZF ever been detained, excluded, or seized by U.S. Customs and Border Protection (CBP) under any provision of Section 307 of the Trade Act of 1930 or the UFLPA? If so, for each such instance, please:
 - a. describe the circumstances surrounding the CBP enforcement action;
 - b. describe any information provided by CBP regarding the enforcement action, including information about the suspected forced labor; and,
 - c. describe ZF's response to the CBP enforcement action.

I ask that you provide the requested information as soon as possible but no later than April 11, 2023. If you have any questions, you may contact my Senate Finance Committee oversight staff at 202-224-4515. Thank you for your prompt attention to this important matter.

Sincerely,



Ron Wyden
United States Senator
Chairman, Committee on
Finance